

# The Asset Policy Initiative of California

## *Building Momentum for Policy Change at the State Level*

By Heather McCulloch

*The CFED State Asset Development Report Card revealed, in 2002, that one in four California families was asset poor, meaning that they had insufficient net worth to survive at the federal poverty level for more than three months if their income were disrupted. The data also showed that almost one in five families had zero or negative net worth. When compared to other states, California ranked in the bottom ten percent on both categories.<sup>1</sup>*

In January 2003, the Earned Assets Resources Network (EARN), a San Francisco-based non-profit, began to mobilize a response. EARN provides asset building opportunities to lower-income families throughout the San Francisco Bay Area using Individual Development Accounts (IDAs). By providing both in-house case management and outsourced services to community-based IDA providers, EARN sought to achieve an exponential increase in the number of families participating in IDAs in the region. However, EARN quickly realized that without a supportive public policy infrastructure, they would be able to serve only a fraction of the Bay Area's low-income families.

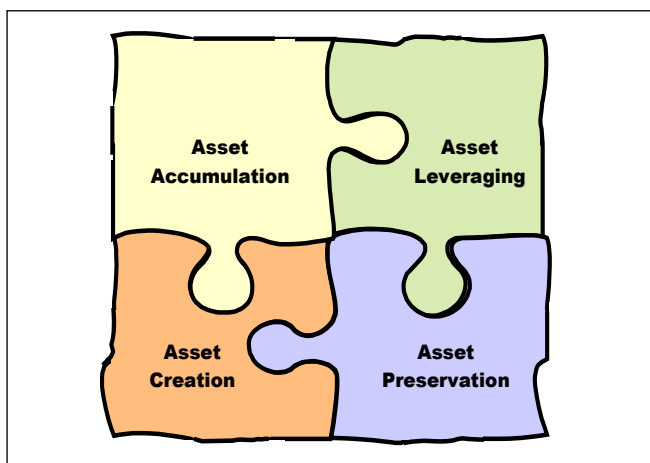
From January to June 2003, EARN staff laid the groundwork for the creation of the Asset Policy Initiative of California (APIC), a statewide effort to advance policies that enable low- and moderate-income families to save, invest, and preserve their assets. With funding from the Ford Foundation, EARN started building APIC by meeting with civic leaders from across the state to draw attention

to the economic, social, and political implications of asset poverty.<sup>2</sup> EARN's message fell on fertile ground. Within a number of months, EARN pulled together a 35-member task force devoted to developing public policies in support of asset-building opportunities for low- and moderate-income families across the state. The task force represented a broad coalition of current and former elected officials, representatives from financial institutions, regulatory agencies and foundations, public agency staff, and statewide asset building and community development advocates.

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**Figure 4.1** *APIC Framework*



One of the first challenges for the task force was to develop a framework for thinking about asset building policy. Unwilling to accept a narrow definition of assets, the task force agreed on a framework that incorporates activities across the asset building spectrum. The four components of the framework—accumulation, leveraging, preservation, and creation—are distinct, yet integrated, areas of asset development (Figure 4.1: APIC Framework). State funding for IDA programs, for example, is a policy that directly enables low-income households to accumulate savings, which could be used for the downpayment on a house. However, to be effective over the long-term, this policy needs to be complemented by initiatives to increase the supply of affordable homeownership opportunities (asset leveraging) and to strengthen anti-predatory lending legislation (asset preservation).

Recently, state legislators and asset building advocates have begun to pay attention to the myriad opportunities to support asset building through state-level policy change. In the past three years, comprehensive statewide asset policy initiatives have taken root in states across the country including California, Delaware, Hawaii, Illinois, Michigan and Pennsylvania. To support these efforts and to help groups in other states to develop their own policy agenda, Heather McCulloch, with support from the Fannie Mae Foundation, has recently analyzed these six statewide initiatives. Tentatively entitled *State Asset Policy Initiatives: Building Savings and Investment Opportunities for Working Families*, the report describes how these initiatives are using public policy to enable low- and moderate-income families to build financial assets. The report examines each initiative's leadership, goals, framing, challenges, and lessons learned; highlights common themes and elements of success; and describes the emerging menu of state-level asset building policies. The report will be available this summer at [www.knowledgeplex.org](http://www.knowledgeplex.org).

### Moving to Action

With a framework in place, the next challenge facing APIC was to develop a strategic policy agenda for California around asset building. Through a series of meetings, data analysis, and review of asset building policies in other states across the country, the task force identified the key issues facing California families that could be addressed through policy changes at the state level. Strategies explored by the task force included:

- **Eliminating or reducing asset limits in public benefits programs:** Assets are used as eligibility criteria in many public assistance programs. Many states have lifted or eliminated their asset limits as a way to encourage families to save. California has relatively strict asset limits compared to other states: \$2,000 for CalWorks (TANF) recipients and \$3,150 for Medi-Cal (Medicaid).
- **Supporting Individual Development Accounts:** Across the country, states are supporting low-income families to save in IDA accounts through a variety of mechanisms including direct appropriations, state tax credits, and allocation of federal funds over which states have control, such as CDBG or TANF funds. While California adopted legislation authorizing a state IDA program in 2002, state funds were never appropriated.
- **Appropriating state funds for 529 accounts:** College savings plans, or 529 plans, are state-managed plans that allow families to save, tax-free, for a child's education. Five states offer a savings match to encourage low- and moderate-income families to save in 529 accounts.<sup>3</sup> California has a 529 plan, but it does not provide any resources to support low-income families to save.

In 2004, APIC staff used the preliminary policy priorities to reach out to groups across the state. This outreach culminated in the first statewide asset policy symposium in California, held at the Federal Reserve Bank of San Francisco's Los Angeles Branch in February, 2005. Over 100 stakeholders from non-profits, financial institutions, and government agencies joined together for two days of interactive workshops and participatory general sessions.

APIC policy priorities, which emerged from the meeting, included creating a financial education task force and a savings trust fund for working families, as well as supporting pre-existing efforts around the establishment of a home ownership trust fund, eliminating or increasing asset limits in public benefits programs, and supporting anti-predatory lending legislation.

Since the statewide symposium, APIC has been working to educate legislators in Sacramento on asset building issues and to build broad support for asset-based policies that benefit California's low-income families. APIC is also working with national organizations to support the development of state policy to establish children's savings accounts in California and to explore the creation of legislative caucuses similar to the recently-established bipartisan savings and ownership caucuses at the federal level.

### Conclusion

APIC—and similar efforts in Delaware, Hawaii, Illinois, Michigan, and Pennsylvania—represents a new frontier in the national asset building movement, one that promises to attract public attention to the economic and social costs of asset poverty; build new coalitions of stakeholders; identify innovative policy solutions; and build momentum for policy change (Box 4.1 Lessons Learned from State Policy Initiatives). By educating and mobilizing new and unlikely allies, statewide asset policy initiatives can help to ensure that opportunities to build economic security for current and future generations are available to all American families.

Heather McCulloch is a consultant on asset building strategies and policies, based in San Francisco, California. She has served as primary consultant to APIC since early 2003 and is currently a member of the APIC Steering Committee.

For more information on APIC visit [www.assetpolicy-ca.org](http://www.assetpolicy-ca.org) or contact Ben Mangan at EARN at [ben@sfearn.org](mailto:ben@sfearn.org). 

## Building Assets from the Grassroots Up in Hawaii

Box 4.2

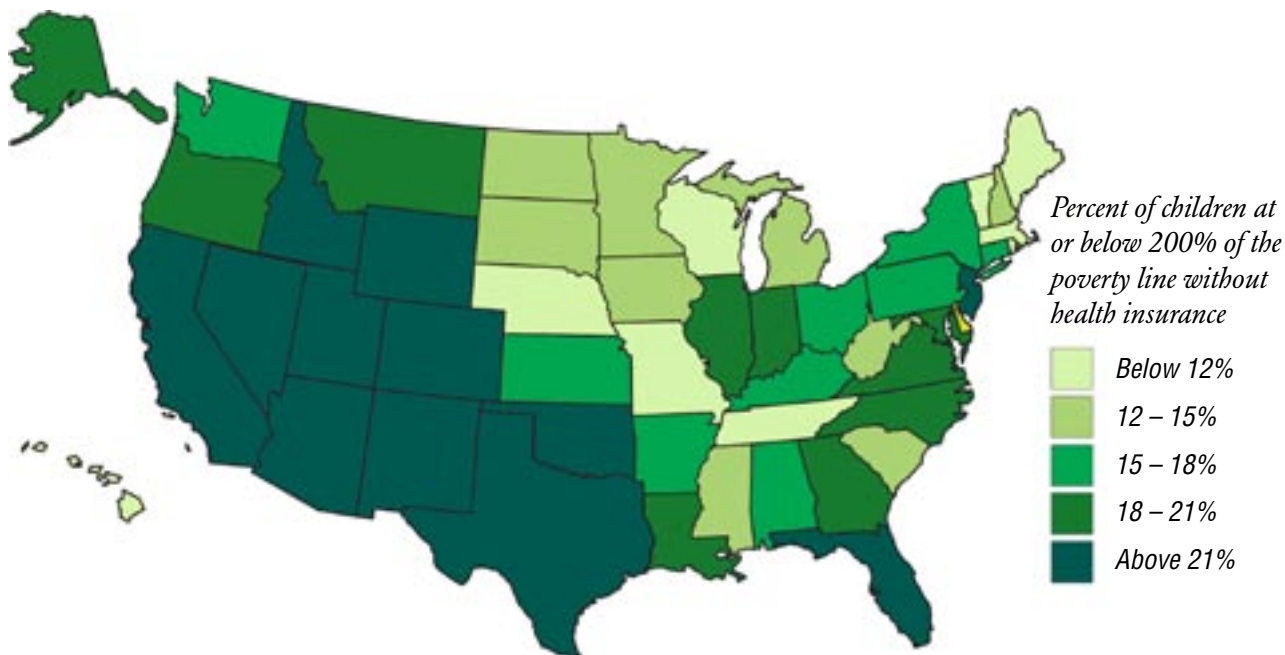
Since the early 1990s, Ke Aka Ho'one Self-help Housing, led by the Consuelo Zobel Alger Foundation on the coast of the island of Oahu in Hawaii, has been helping low-income families to build assets through homeownership. Between 1992 and 2001, Foundation staff worked with 75 low-income families from the community—95 percent of which are Native Hawaiian—to help them to construct and purchase their own homes. Prior to construction, the families participated in intensive credit counseling and pre-homeownership financial education. They then began the process of building homes, each working 10-hour days, on Saturdays and Sundays, over a nine-month period. Today, these families—including 150 adults and 235 children—are homeowners in an area where property values are rapidly escalating. "What's really nice is to see people thriving," says Joey Kahala, the project manager. "It's pretty powerful stuff."

As in California, Hawaii recently launched a new statewide initiative to advance public policy that supports this type of asset building innovation. The Ho'owaiwai Asset Policy Initiative—led by the Hawai'i Alliance for Community Based Economic Development (HACBED)—is working to draw attention to the issue of asset poverty and to open up a dialogue about a culturally-relevant definition of wealth and assets for Hawaii. HACBED leaders are currently convening community meetings across the islands to engage community leaders around asset building priorities. At the same time, they are working to develop a policy commission that will have the capacity to translate grassroots priorities into positive policy change.

For more information on asset building in Hawaii, contact Bob Agres at HACBED, [info@hacbed.org](mailto:info@hacbed.org).

## Health and wealth

When health emergencies arise, lack of health insurance for children can drain household savings and put assets at risk. Seven of the Fed's nine 12th District states have some of the highest percentages of uninsured low-income children in the nation.



Source: CFED 2005 *Assets and Opportunity Scorecard* calculations based on 2002 Census Bureau figures.

# Endnotes

## Savings In The Spotlight

- <sup>1</sup> Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore (2003). "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances," *Federal Reserve Bulletin* 89(1): 1-32.
- <sup>2</sup> Transaction accounts include checking, savings and money market deposit accounts, money market mutual funds, and call accounts at brokerages.
- <sup>3</sup> Aizcorbe et al., *Federal Reserve Bulletin* 89(1): 1-32.
- <sup>4</sup> Ray Boshara (2003). "The \$6,000 Solution," *The Atlantic Monthly*, January/February 2003, pp. 91-95.
- <sup>5</sup> Arthur B. Kennickell (2003). "A Rolling Tide: Changes in Distribution of Wealth in the U.S., 1989-2001," *Federal Reserve Paper*, March 2, 2003, p. 9.
- <sup>6</sup> Ray Boshara (2005). "Individual Development Accounts: Policies to Build Savings and Assets for the Poor," *Welfare Reform & Beyond Policy Brief* #32, Washington, D.C.: The Brookings Institution. Ray Boshara (2002). "Assets Necessary for Getting Ahead," *Seattle Post-Intelligencer* October 11, 2002, p. B7.
- <sup>7</sup> Thomas Shapiro and Edward Wolff, eds. (2001). *Assets for the Poor: The Benefits of Spreading Asset Ownership*. New York: Russell Sage Foundation.
- <sup>8</sup> Lillian Woo, F. William Schweke, and David Buchholz (2004). *Hidden in Plain Sight: A Look at the \$335 Billion Federal Asset-building Budget*, Washington, D.C.: Corporation for Enterprise Development.
- <sup>9</sup> Michael A. Stegman (1999). *Savings for the Poor: The Hidden Benefits of Electronic Banking*. Washington D.C.: The Brookings Institution Press.
- <sup>10</sup> Ray Boshara, *Seattle Post-Intelligencer* October 11, 2002, p. B7.
- <sup>11</sup> Comptroller of the Currency (2005). "Individual Development Accounts: An Asset Building Product for Lower-Income Consumers," *Community Development Insights*, February 2005. Ellen Seidman and Jennifer Tescher (2004). *From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers*, paper prepared for the Joint Center for Housing Studies, Harvard University.
- <sup>12</sup> The American Dream Demonstration (ADD) was designed by CFED and the Center for Social Development (CSD) to evaluate and analyze the potential of IDA programs to build assets among the poor. See [gwbweb.wustl.edu/csd/asset/add.htm](http://gwbweb.wustl.edu/csd/asset/add.htm) for more information.
- <sup>13</sup> Mark Schreiner, Margaret Clancy, and Michael Sherraden (2002). *Final Report. Saving Performance in the American Dream Demonstration: A National Demonstration of Individual Development Accounts*. St. Louis: Center for Social Development.
- <sup>14</sup> Ibid.
- <sup>15</sup> Robert Kuttner (2003). "Sharing American's Wealth: The Policies and Politics of Building a Larger Middle Class," *The American Prospect*, Volume 14, Issue 5.
- <sup>16</sup> Mark Schreiner (2004). *Program Costs for Individual Development Accounts: Final Figures from CAPTC in Tulsa*. St. Louis: Center for Social Development.
- <sup>17</sup> Guat Tin Ng (2001). "Costs of IDAs and Other Capital-Development Programs," *Working Paper No. 01-8*. St. Louis: Center for Social Development.
- <sup>18</sup> Ray Boshara, *Welfare Reform & Beyond Policy Brief* #32; Robert Kuttner, *The American Prospect*, 14:5.
- <sup>19</sup> Federal Reserve Bank of Cleveland (2004). "Individual Development Accounts: An Endangered Wealth-Creation Strategy?" *Community Reinvestment Forum*, Winter 2004.
- <sup>20</sup> For example, income guidelines for AFIA grants are 200% of the poverty level, while grants from the Federal Home Loan Bank IDEA program are directed at households who make less than 80% of area median income.
- <sup>21</sup> Comptroller of the Currency, *Community Development Insights*, February 2005; Robin Newberger (2003). "Financial Institutions and Participation in Individual Development Account Programs," *Profitwise News and Views*, Spring 2003. Chicago: Consumer and Community Affairs Division of the Federal Reserve Bank of Chicago.
- <sup>22</sup> The Aspen Institute (2003). *Individual Development Accounts: How to move from a program for thousands to a product for millions*. Washington, D.C.: The Aspen Institute.
- <sup>23</sup> Federal Reserve Bank of Cleveland, *Community Reinvestment Forum*, p. 11.
- <sup>24</sup> Reid Cramer, Leslie Parrish, and Ray Boshara (2005). *Federal Assets Policy Report and Outlook*. Washington, D.C.: New America Foundation.
- <sup>25</sup> Julie Kosterlitz (2005). "The Other Ownership Society," *National Journal* (March 5, 2005).
- <sup>26</sup> Ray Boshara, Reid Cramer, and Leslie Parrish. (2005). "Policy Options for Achieving an Ownership Society for All Americans," *Issue Brief* #8. Washington, D.C.: New America Foundation.
- <sup>27</sup> For the most recent updates on federal asset building legislation, visit the Policy link at [www.assetbuilding.org](http://www.assetbuilding.org).
- <sup>28</sup> For a more detailed description of these and other policy options, see Ray Boshara et al., *Issue Brief* #8.

## Individual Development Accounts

- <sup>1</sup> Estimates of the number of unbanked vary widely. The lower bound estimates come from Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore (2003). "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances," *Federal Reserve Bulletin* 89(1): 1-32. Higher bound estimates are developed using data from the Survey of Income and Program Participation (SIPP).
- <sup>2</sup> Anne Stuhldreher and Jennifer Tescher (2005). *Breaking the Savings Barrier: How the Federal Government Can Build an Inclusive Financial System*. Chicago: The Center for Financial Services Innovation.
- <sup>3</sup> Sandra Beverly and Michael Sherraden (1999). "Institutional Determinants of Saving: Implications for Low-Income Households and Public Policy," *Journal of Socio-Economics* 28:457-473.
- <sup>4</sup> Ellen Seidman and Jennifer Tescher (2004). *From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers*. Chicago: The Center for Financial Services Innovation.
- <sup>5</sup> Michael A. Stegman and Phillip H. Kim (2004). *Legitimizing Individual Development Accounts (IDA) Within Financial Institutions*. Available at [www.cfed.org](http://www.cfed.org).
- <sup>6</sup> Robin Newberger (2003). "Financial Institutions and Participation in Individual Development Account Programs," *Profitwise News and Views*, Spring 2003. Chicago: Federal Reserve Bank of Chicago.
- <sup>7</sup> Center for Community Capitalism (2003). *Financial Institutions and Individual Development Accounts: Results of a National Survey October 2003*. Chapel Hill: The Frank Hawkins Kenan Institute of Private Enterprise, The University of North Carolina at Chapel Hill.
- <sup>8</sup> Stegman and Kim, *Legitimizing Individual Development Accounts*.
- <sup>9</sup> Center for Community Capitalism, *Financial Institutions and Individual Development Accounts*, p.33.
- <sup>10</sup> Julie Williams (2005). "IDAs Good for Banks and the Unbanked," *American Banker*, Friday, March 18, 2005.
- <sup>11</sup> Jeff Rosen (2004). "Individual Development Accounts: Savings Incentives to Build Wealth," *Community Investments Online Fall 2004*, Office of the Comptroller of the Currency.
- <sup>12</sup> Center for Community Capitalism. *Financial Institutions and Individual Development Accounts*, p. 32.
- <sup>13</sup> Rosen, *Community Investments Online* Fall 2004.

## The Asset Policy Initiative of California

- <sup>1</sup> Corporation for Enterprise Development (CFED), *State Asset Development Report Card: Benchmarking Asset Development in Fighting Poverty*, December 2002.
- <sup>2</sup> EARN staff worked in conjunction with a planning committee of asset-building stakeholders including staff members from the California Community Economic Development Association, the Center for Venture Philanthropy, PolicyLink, and The United Way of Greater Los Angeles.
- <sup>3</sup> Margaret Clancy, Peter Orszag and Michael Sherraden, *College Savings Plans: A Platform for Inclusive Saving Policy?* Center for Social Development, Washington University at St. Louis, February 2004.

## From Refunds to Assets

- <sup>1</sup> Stuhldreher, Anne (2004). "Tax Time—The Right Time: Federal Policy Recommendations to Help all Americans Save and Build Assets," *Asset Building Program Issue Brief* #5, December 2004, Washington, D.C.: New America Foundation.
- <sup>2</sup> U.S. General Accounting Office (2001). *Earned Income Tax Credit Participation*. GAO-02-290R. Washington, D.C.: U.S. General Accounting Office.
- <sup>3</sup> Holt and Associates Solutions (2005). *National Tax Assistance for Working Families Campaign: Report to the Annie E. Casey Foundation, 2004 Data*. Baltimore: The Annie E. Casey Foundation.
- <sup>4</sup> "Washington leads nation in growth of EITC applicants." State of Washington, Office of the Governor, Press Release. Nov. 18, 1999.
- <sup>5</sup> Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2003-2007*, December 19, 2002.